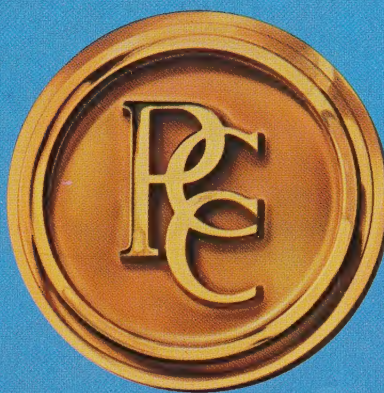


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Power Corporation of Canada, Limited/Annual Report 1976

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Financial Highlights

For the year ended December 31	1976	1975	1974
Gross revenue from operations	\$244,668,000	\$293,104,000	\$223,492,000
Consolidated earnings before extraordinary items	\$ 23,640,000	\$ 35,836,000	\$ 37,847,000
Extraordinary items	\$ (9,611,000)	\$ 2,786,000	\$ 7,328,000
Consolidated earnings after extraordinary items	\$ 14,029,000	\$ 38,622,000	\$ 45,175,000
Non-participating preferred dividends	\$ 3,557,000	\$ 3,672,000	\$ 3,725,000
Net earnings	\$ 10,472,000	\$ 34,950,000	\$ 41,450,000
Provision for depreciation	\$ 12,005,000	\$ 12,056,000	\$ 11,634,000
Cash flow from operations	\$ 28,145,000	\$ 33,923,000	\$ 27,080,000
Earnings per 6% participating preferred and common share before extraordinary items			
Primary	\$ 1.66	\$ 2.69	\$ 2.88
Diluted	\$ 1.40	\$ 2.16	\$ 2.29
Earnings per 6% participating preferred and common share after extraordinary items			
Primary	\$ 0.87	\$ 2.92	\$ 3.49
Diluted	\$ 0.80	\$ 2.33	\$ 2.75
As at December 31			
Working capital	\$ 2,558,000	\$ 23,458,000	\$ 32,267,000
Investments	\$383,445,000	\$375,221,000	\$288,533,000
Fixed assets—net	\$130,037,000	\$124,080,000	\$116,520,000
Long-term debt	\$109,806,000	\$118,689,000	\$ 58,211,000

Directors' Report to Shareholders



Your Directors submit the Company's 52nd Annual Report, together with the consolidated financial statements for the year ended December 31, 1976.

The consolidated earnings before extraordinary items for the year ended December 31, 1976 amount to \$23,640,000, compared with \$35,836,000 for the prior year; after payment of non-participating preferred dividends, this is equal to \$1.66 per participating preferred and common share, compared with \$2.69 in 1975. The fully diluted earnings per share, after allowing for the conversion of the 5% convertible preferred shares, but before extraordinary items, are \$1.40 compared with \$2.16 in 1975. Extraordinary items amount to a charge of \$9,611,000 in respect of the year 1976, equivalent to 79 cents per share and, on a diluted basis, 60 cents per share, compared to a credit of \$2,786,000 in the previous year, which is equivalent to 23 cents per share and, on a diluted basis, 17 cents per share.

Dividends of 60 cents per annum were paid on the participating preferred and class A common shares. Tax-deferred dividends on the class B common shares equal to 85% of the rate paid on the class A common shares have been paid since the quarter ended June 30, 1976.

The operating results of the Water Transportation Division and the wholly-owned subsidiary companies were lower than those obtained in 1975. Gross revenue from operations in 1976 was \$244,668,000, compared with \$232,428,000 in 1975. This latter figure, however, excludes revenue of \$60,676,000 attributable to Davie Shipbuilding Limited, sold in February 1976. While the gross revenue did show an increase, earnings from operations before interest, depreciation and income taxes were \$31,367,000, compared with \$39,119,000 in 1975. The decrease in the earnings from operations reflects mainly lower operating earnings from John N. Brocklesby Transport, Limited and the disposal of Davie Shipbuilding Limited. In addition, difficult operating conditions in the Water Transportation Division and increased general operating costs in all divisions contributed to the decrease.

The earnings of The Investors Group were marginally lower, while those of Laurentide Financial Corporation Ltd. were 14% higher than in the preceding year. The earnings of The Imperial Life Assurance Company of Canada attributable to the shareholders were less than those experienced in 1975 despite an increased volume of business. The earnings of Consolidated-Bathurst Limited were lower than in 1975 as were those of other companies in the pulp and paper industry. The newspapers owned by Gesca Ltée all showed improved revenues; but continued increased costs, and losses incurred by Montréal-Matin Inc. caused a reduction in the consolidated earnings of Gesca Ltée.

Similarly, the revenues of S.M.A. (Société de Mathématiques Appliquées) Inc. increased during the year; however, the loss incurred was moderately higher than in the previous year.

It is particularly noteworthy that, while gross revenues continue to increase, operating expenses in many areas are escalating at much higher rates and are thus reducing the normal margins that have been earned in the past. This is occurring due to continuing inflationary pressures. Strenuous efforts are made to improve productivity and efficiency and maintain increases in general operating expenses at a reasonable level.

The continuing substantial capital expenditures, particularly in connection with the construction and acquisition of vessels, have been financed out of working capital, except for an amount of \$5,000,000 obtained by way of a first mortgage loan on an ocean vessel. This vessel has been converted and is being used in the Great Lakes and St. Lawrence River. In addition, a further 183,291 common shares of Argus Corporation Limited were acquired during the year at a cost of \$5,497,000. Thus, your Company now owns 25.7% of the outstanding common shares and 59.9% of the outstanding Class C participating preferred shares, representing 53.0% of the equity of Argus. The breakup value of common and Class C shares of Argus as reported at their Annual Meeting was \$19.75 per share on January 17, 1977, compared to the Company's average cost per share of \$17.89.

Arrangements have been completed for interim bank financing on the two ships under construction, estimated to cost in excess of \$40,000,000. This interim arrangement is for a two-year period and will be replaced by permanent long-term financing.

During the course of the year your Company, together with other partners, through its 57%-owned subsidiary, Wabanex Energy Corporation Ltd., has been instrumental in bringing to the attention of the Department of Energy of the Government of Canada and the Federal Energy Administration of the Government of the United States, certain advantages to providing for strategic oil reserves in the abandoned mine at Wabana, Conception Bay, in Newfoundland. Certain engineering and feasibility studies have been completed and reports submitted to various interested parties and, while it has been announced by the F.E.A. that Early Storage oil reserves will be located in United States territory, there are continuing representations being made to the F.E.A. concerning the suitability of the Wabana mine for the Strategic Petroleum Reserve Program.

As of January 1, 1977, income debentures of \$67,000,000 were redeemed and a like amount of secured income debentures was issued on similar terms, except for an amount of \$10,000,000 pre-

viously maturing on a sinking fund basis, which will now mature June 30, 1985.

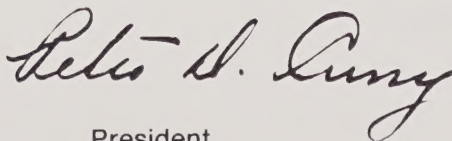
In February 1977, Trans-Canada Corporation Fund, a wholly-owned subsidiary, granted an option for the sale of its holding of 102,490 shares of The Imperial Life Assurance Company of Canada at a price of \$100 per share. The option was granted for a consideration of \$3,000,000. Under the terms of the Option Agreement, Trans-Canada Corporation Fund bound itself to purchase from The Imperial Life Assurance Company of Canada 900,000 common shares of The Investors Group at \$7 per share, if requested by Imperial Life at any time up to August 11, 1977. The sale of The Imperial Life Assurance Company of Canada shares was completed and the price paid on March 11, 1977. The purchaser is obliged to make an offer to all the other shareholders of The Imperial Life Assurance Company of Canada no later than June 10, 1977 to purchase their shares at \$100 per share and is bound to take up all shares tendered. As a result of the sale of The Imperial Life Assurance Company of Canada shares and in accordance with the terms of the Trust Deed governing the 6½% secured sinking fund debentures of Trans-Canada Corporation Fund, \$4,479,000 principal amount of these debentures will be redeemed on June 1, 1977 at par value plus a premium of ½ of 1% and accrued interest. The Company has made a provision of \$6,754,000 to write

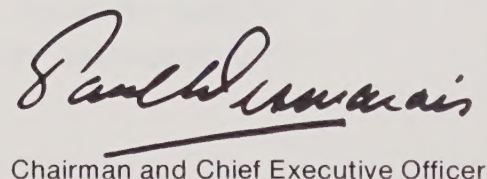
down the carrying value of its investment in The Imperial Life Assurance Company of Canada to the amount received on disposal and such provision has been included in the extraordinary items of the statement of earnings for 1976.

Your Directors have enacted By-law 8, which will be presented to a special general meeting of shareholders, to be held immediately prior to the Annual Meeting and which provides for an increase in the number of directors. The information circular accompanying this annual report proposes the election to the Board of Mr. Roland Giroux, who has announced his retirement as President of Hydro-Quebec, and Mr. Michel Bélanger, President and Chief Executive Officer of The Provincial Bank of Canada. These gentlemen have had distinguished business careers and are well known in the international field of business.

The Directors wish to express their appreciation of the services rendered by the Officers and Staff during the year.

On behalf of the Board


President


Chairman and Chief Executive Officer

Montreal, Quebec, March 16, 1977

Consolidated Balance Sheet

As at December 31

ASSETS

1976

1975

CURRENT ASSETS

Cash	\$ 3,807,000	\$ 2,848,000
Short-term notes and bonds—at cost, which approximates market value	9,029,000	21,139,000
Accounts receivable	25,594,000	41,704,000
Inventories (<i>note 2</i>)	7,120,000	13,071,000
Prepaid expenses	1,397,000	1,278,000
	<u>46,947,000</u>	<u>80,040,000</u>

INVESTMENTS

Subsidiary and affiliated companies at equity (<i>notes 1 and 3</i>)	278,860,000	280,341,000
Other securities (<i>note 4</i>)	101,048,000	91,181,000
Advances to trustees of share purchase plans	3,537,000	3,699,000
	<u>383,445,000</u>	<u>375,221,000</u>

FIXED ASSETS—AT COST (<i>note 5</i>)	269,842,000	268,242,000
Less: accumulated depreciation	139,805,000	144,162,000
	<u>130,037,000</u>	<u>124,080,000</u>
	<u>\$560,429,000</u>	<u>\$579,341,000</u>

On behalf of the Board

PAUL DESMARAIS PETER D. CURRY

Power Corporation of Canada, Limited

LIABILITIES	1976	1975
CURRENT LIABILITIES		
Accounts payable and accrued charges	\$ 29,875,000	\$ 35,819,000
Progress payments and billings in excess of costs incurred on uncompleted contracts	118,000	4,895,000
Income taxes payable	1,367,000	5,296,000
Current portion of long-term debt	13,029,000	10,572,000
	<u>44,389,000</u>	<u>56,582,000</u>
 LONG-TERM DEBT (note 6)	 109,806,000	 118,689,000
 DEFERRED INCOME TAXES	 37,887,000	 38,089,000
 PROVISIONS		
Insurance losses, repairs and claims	3,653,000	2,405,000
Deferred compensation	987,000	1,176,000
Deferred income	1,945,000	2,252,000
	<u>6,585,000</u>	<u>5,833,000</u>
 PREFERRED SHARES OF CONSOLIDATED SUBSIDIARIES		162,000
 SHAREHOLDERS' EQUITY		
Capital stock—preferred (note 7)	78,336,000	81,319,000
Capital stock—common (note 7)	60,924,000	59,305,000
Retained earnings	222,502,000	219,362,000
	<u>361,762,000</u>	<u>359,986,000</u>
	<u>\$560,429,000</u>	<u>\$579,341,000</u>

Statement of Consolidated Earnings

For the Year ended December 31

	1976	1975
Gross revenue from operations (note 5)	<u>\$244,668,000</u>	<u>\$293,104,000</u>
Earnings from operations	\$ 31,367,000	\$ 39,119,000
Share of earnings of subsidiary and affiliated companies (note 3)	14,608,000	21,514,000
Income from investments	5,353,000	5,224,000
	<u>51,328,000</u>	<u>65,857,000</u>
Interest on long-term debt	10,081,000	10,043,000
Provision for depreciation	12,005,000	12,056,000
Provision for income taxes	5,602,000	7,744,000
Preferred dividends of consolidated subsidiaries		178,000
	<u>27,688,000</u>	<u>30,021,000</u>
	23,640,000	35,836,000
Non-participating preferred dividends (note 7)	3,557,000	3,672,000
Net earnings before extraordinary items	20,083,000	32,164,000
Extraordinary items (note 8)	(9,611,000)	2,786,000
Net earnings	<u>\$ 10,472,000</u>	<u>\$ 34,950,000</u>
Earnings per 6% participating preferred and common share		
	Primary Diluted	Primary Diluted
Before extraordinary items	\$1.66 \$1.40	\$2.69 \$2.16
After extraordinary items	\$0.87 \$0.80	\$2.92 \$2.33

Statement of Consolidated Retained Earnings

For the Year ended December 31

	1976	1975
Retained earnings beginning of year	<u>\$219,362,000</u>	<u>\$191,825,000</u>
Add:		
Net earnings	10,472,000	34,950,000
Gain on preferred shares purchased for cancellation	526,000	170,000
	<u>230,360,000</u>	<u>226,945,000</u>
Deduct:		
Dividends		
Participating preferred shares	834,000	765,000
Common shares	6,394,000	5,801,000
Share of net charges to retained earnings of subsidiary and affiliated companies (note 3)	630,000	1,017,000
	<u>7,858,000</u>	<u>7,583,000</u>
Retained earnings end of year	<u>\$222,502,000</u>	<u>\$219,362,000</u>

Statement of Changes in Consolidated Financial Position

For the Year ended December 31

	1976	1975
SOURCE OF FUNDS		
From operations		
Net earnings before extraordinary items	\$ 20,083,000	\$ 32,164,000
Non cash charges (credits)		
Provision for depreciation	12,005,000	12,056,000
Deferred income taxes	1,371,000	1,943,000
Earnings not received in cash	(5,314,000)	(12,240,000)
	<u>28,145,000</u>	<u>33,923,000</u>
Realization of contingent asset		3,969,000
Disposal of fixed assets	1,808,000	1,619,000
Disposal of investments	2,536,000	1,266,000
Issue of common shares		263,000
Issue of long-term debt	5,000,000	71,747,000
Decrease (Increase) in advances to trustees of share purchase plans	162,000	(692,000)
	<u>37,651,000</u>	<u>112,095,000</u>
USE OF FUNDS		
Additions to fixed assets	26,074,000	19,376,000
Reduction of long-term debt	13,479,000	11,482,000
Dividends—participating preferred shares	834,000	765,000
—common shares	6,394,000	5,801,000
Redemption of preferred shares of consolidated subsidiaries	170,000	4,000,000
Purchase of investments	9,916,000	75,995,000
Acquisition of 4¾% preferred shares for cancellation	830,000	248,000
Miscellaneous	854,000	3,237,000
	<u>58,551,000</u>	<u>120,904,000</u>
DECREASE IN WORKING CAPITAL	<u><u>\$ 20,900,000</u></u>	<u><u>\$ 8,809,000</u></u>

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

The Company follows generally accepted accounting principles in the preparation of its consolidated financial statements and their application is consistent with that of the preceding year.

Principles of Consolidation and Presentation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant inter-company transactions are eliminated.

Investments in other subsidiary and affiliated companies are accounted for on the equity basis. A full consolidation of the financial statements of Power Corporation and its subsidiary companies has not been prepared as such statements would not present fairly the financial position of the Company. Summaries of the financial statements of the major non-consolidated subsidiary and affiliated companies are presented on pages 16 to 25 of this Report.

The difference between the cost of the investment in companies accounted for on the equity basis and the book value of the underlying net assets at the dates of acquisition is included in the carrying value of these investments.

Inventory Valuation

Shipyard contracts are accounted for on the "completed contract" basis whereby gross revenue and earnings are recognized when the contracts are completed. During the construction period, shipyard work-in-progress is accounted for at cost less allowance for losses on uncompleted contracts.

Inventories of stores and supplies are carried at the lower of cost and replacement cost.

Investments

Investments in other securities are stated at cost.

Fixed Assets and Depreciation

Fixed assets are stated at cost. The cost and related accumulated depreciation of items retired or disposed of are removed from the books and any gains or losses are included in the statement of consolidated earnings.

Vessels are depreciated on a straight-line basis on estimated useful lives of from 20 to 25 years. Land transportation revenue equipment is depreciated on estimated useful life of from 5 to 10 years. The majority of the remaining assets are depreciated at the maximum rates permitted for income tax purposes.

Maintenance and Repairs

Maintenance and repairs are charged to expenses as incurred. Expenditures which result in a material enhancement of the value of the assets involved are treated as additions to fixed assets.

Income Taxes

The Company follows the tax allocation basis in accounting for income taxes. Deferred income taxes shown on the financial statements represent taxes deferred mainly in respect of capital cost allowance claimed in excess of depreciation charged in the accounts.

Pensions

The Company and its wholly-owned subsidiaries have pension plans for employees, which are being funded, and the current service cost portion is charged to earnings as incurred.

Earnings per 6% Participating Preferred and Common Share

Primary earnings per 6% participating preferred and common share are computed by dividing net earnings for the year by the average number of shares outstanding during the year. Diluted earnings per share assume that the second preferred shares had been converted into class A common shares and the dividends applicable thereto added back to net earnings.

Note 2. Inventories

	Thousands			
	1976		1975	
Shipyard work-in-progress		\$18,947		\$80,510
Progress payments and billings on uncompleted shipyard work	\$18,323		\$80,107	
Less: progress payments and billings in excess of costs incurred on uncompleted contracts included in current liabilities	118	18,205	4,895	75,212
		742		5,298
Inventories of stores and supplies		6,378		7,773
		<u>\$ 7,120</u>		<u>\$13,071</u>

Note 3. Subsidiary and Affiliated Companies at Equity

	Subsidiaries				Affiliates		Total
	Laurentide Financial Corporation Ltd.	The Imperial Life Assurance Company of Canada	The Investors Group	Other	Consolidated-Bathurst Limited	Gesca Ltée	
Voting shares	57.9%	51.2%	57.2%(a)	n/a	38.0%	n/a	n/a
Equity interest	57.9%	51.2%	34.4%	n/a	38.0%	100%	n/a
Thousands							
Carrying value:							
December 31, 1975	\$31,204	\$19,895	\$61,421	\$ 5,935	\$127,880	\$34,006	\$280,341
Additional investments			337	2,248	300		2,885
Share of earnings	2,847	477	5,374	(1,676)	6,300	1,286	14,608
Extraordinary items				(84)		(212)	(296)
Share of credits (charges) to retained earnings	366		(781)			(215)	(630)
Write down of investments		(6,754)		(2,000)			(8,754)
Dividends received	(1,196)	(369)	(2,201)		(5,528)		(9,294)
December 31, 1976	<u>\$33,221</u>	<u>\$13,249(b)</u>	<u>\$64,150</u>	<u>\$ 4,423(c)</u>	<u>\$128,952(d)</u>	<u>\$34,865(e)</u>	<u>\$278,860</u>
Share of equity							
December 31, 1976	<u>\$27,568</u>	<u>\$ 8,126</u>	<u>\$43,212</u>	<u>\$ 2,390</u>	<u>\$ 88,991</u>	<u>\$21,666</u>	<u>\$191,953</u>

(a) The Great-West Life Assurance Company (a subsidiary of The Investors Group) and The Imperial Life Assurance Company of Canada own in total an additional 22.7%.

(b) Represents proceeds received on disposal (note 12).

(c) Includes investment in and advances to S.M.A. (Société de Mathématiques Appliquées) Inc.

(d) Includes debentures of \$990,000.

(e) Includes advances of \$5,415,000.

The share of earnings includes \$3,204,000 share of earnings derived from The Imperial Life Assurance Company of Canada and The Great-West Life Assurance Company (a subsidiary of The Investors Group) whose financial statements have been prepared on the basis of requirements of the Department of Insurance of Canada.

Note 4. Other Securities

	Thousands	
	1976	1975
Argus Corporation Limited		
Common shares (market value \$12,688,000; 1975—\$7,445,000)	\$ 10,923	\$ 5,426
Class C participating non-voting preference shares (market value \$48,636,000; 1975—\$56,743,000)	69,389	69,389
Miscellaneous	20,736	16,366
	<u>\$101,048</u>	<u>\$91,181</u>

Note 5. Fixed Assets and Gross Revenue

Major classifications by industry of fixed assets and gross revenue are as follows:

	Thousands				
	Fixed Assets			Gross Revenue	
	Cost	Net Book Value			
	1976	1976	1975	1976	1975
Water Transportation	\$181,501	\$ 88,536	\$ 75,375	\$ 81,068	\$ 69,352
Shipbuilding	11,403	3,362	12,884	28,667	89,205
Land Transportation	60,863	31,001	27,299	125,305	127,121
Other	16,075	7,138	8,522	9,628	7,426
	<u>\$269,842</u>	<u>\$130,037</u>	<u>\$124,080</u>	<u>\$244,668</u>	<u>\$293,104</u>

Notes to Consolidated Financial Statements

Note 6. Long-Term Debt

	Thousands	
	1976	1975
5½% debentures maturing March 1, 1977	\$ 3,724	\$ 3,796
Term bank loans, repayable \$5,000,000 annually in 1977 and 1978 and \$20,000,000 on December 1, 1979 bearing interest at the prime rate plus 1% and secured by certain investments	30,000	35,000
Income debentures maturing June 30, 1977 to June 30, 1982 bearing interest at the prime rate plus 1½% divided by two to June 30, 1980, and from July 1, 1980 to June 30, 1982 at the prime rate plus 1¾% divided by two and secured by certain investments (note 12)	24,500	27,500
Income debentures maturing June 30, 1985 bearing interest at half prime rate plus 1½% to March 31, 1980, 1¾% from April 1, 1980 to March 31, 1982 and 2% from April 1, 1982 to June 30, 1985 (note 12)	42,500	42,500
Equipment trust certificates, at various rates from 7% to 10% maturing March 1, 1977 to May 1, 1982	3,790	4,860
6½% sinking fund debentures maturing December 15, 1979, repayable \$200,000 annually	2,407	2,800
6½% secured sinking fund debentures, maturing June 1, 1980, repayable \$300,000 annually (note 12)	7,469	7,488
First mortgage loans at 11% and 11¾% maturing October 1, 1984 and February 1, 1985 repayable in monthly instalments	2,660	2,697
First mortgage loan at 11⅞% maturing June 1, 1991 repayable \$167,000 semi-annually	4,833	
Other	952	2,620
	<u>122,835</u>	<u>129,261</u>
Deduct: Instalments due within one year	<u>13,029</u>	<u>10,572</u>
	<u>\$109,806</u>	<u>\$118,689</u>

Instalments due on long-term debt over the next five years are as follows:

1978—\$9,111,000; 1979—\$26,985,000; 1980—\$12,651,000; 1981—\$5,848,000; 1982—\$7,715,000.

Note 7. Capital Stock

	Thousands	
	1976	1975
First preferred shares of \$50 par value issuable in series		
Authorized—1,883,275 shares		
Issued — 483,275 shares 4¾% cumulative redeemable 1965 series (i)	\$24,164	\$25,528
Second preferred shares of \$12 par value issuable in series		
Authorized—10,000,000 shares		
Issued — 3,935,198 shares 5% cumulative redeemable convertible series A (ii)	47,222	48,841
Six per cent non-cumulative participating preferred shares of \$5 par value		
Authorized— 1,592,760 shares		
Issued — 1,389,904 shares (iii)	6,950	6,950
	<u>\$78,336</u>	<u>\$81,319</u>
Class A and class B common shares of no par value (iv)		
Authorized—30,000,000 shares		
Issued — 9,624,617 class A shares	\$54,787	\$59,305
— 1,078,018 class B shares	6,137	
	<u>\$60,924</u>	<u>\$59,305</u>

(i) redeemable on or before July 15, 1977, at \$51.00; thereafter at \$50.50 and in each case plus accrued and unpaid dividends. During the year 27,285 shares were redeemed and cancelled.

On April 15, 1976 supplementary letters patent were issued to the Company, amending the conditions attaching to the 4¾% cumulative redeemable first preferred shares, 1965 series, by providing, inter alia, for the establishment of a sinking fund sufficient to retire 26,500 such shares in each twelve-month period commencing May 1, 1976.

- (ii) redeemable at \$12 plus accrued and unpaid dividends; convertible on or before May 31, 1978. During the year 134,867 shares were converted into class A common shares.
- (iii) 607,578 of the issued participating preferred shares have non-detachable warrants attached entitling the holder to subscribe for one additional participating preferred share in respect of each three such shares presently held at a subscription price of \$15 per share up to May 31, 1978.

202,526 participating preferred shares are reserved for the exercise of the non-detachable warrants attached to the participating preferred shares.

- (iv) on May 17, 1976, supplementary letters patent were issued to the Company, altering the capital of the Company by reclassifying the 30,000,000 common shares, both issued and unissued, into 30,000,000 class A common shares, and by creating 30,000,000 class B common shares similar in all respects, except in respect of dividends, to the 30,000,000 class A common shares. In respect of dividends, the class B common shares are entitled to tax-deferred dividends, as contemplated and defined in the Income Tax Act of Canada. The class A and class B common shares are interconvertible on a share-for-share basis, and their combined number outstanding at any time shall not exceed 30,000,000.

- (v) non-participating preferred dividends paid were as follows:

	Thousands	
	1976	1975
4¾% first preferred shares 1965 series	\$1,174	\$1,224
5% second preferred shares series A	2,383	2,448
	<u>\$3,557</u>	<u>\$3,672</u>

Note 8. Extraordinary Items

	Thousands	
	1976	1975
(Loss) Gain on capital asset transactions, net of income taxes	\$ (561)	\$2,742
Write down of investments	(8,754)	
Company's share of extraordinary items of unconsolidated subsidiary and affiliated companies	(296)	44
	<u>\$ (9,611)</u>	<u>\$2,786</u>

Note 9. Commitments

The Company and its wholly-owned subsidiary companies charter vessels, and lease terminals, trucks and buses under long-term agreements with partly-owned subsidiary and other companies. Aggregate minimum rentals under these charter hire agreements and leases totalling \$68,305,000 are as follows for each of the periods shown: 1977—\$8,009,000; 1978-82—\$35,853,000; 1983-87—\$18,189,000; 1988-92—\$4,906,000; after 1992—\$1,348,000.

The Company and its wholly-owned subsidiary companies are committed to capital expenditures of \$25,900,000 in the year to December 31, 1977.

Note 10. Anti-Inflation Legislation

The Company and its subsidiary and affiliated companies are subject to the Federal Anti-Inflation legislation relative to prices, profits, compensation and dividends. In the opinion of management the companies have operated and continue to operate in compliance with the legislation and supporting regulations.

Note 11. Remuneration of Directors and Officers

The remuneration received by Directors and Officers during the year ended December 31, 1976 was as follows:

from:	as Directors		as Officers	
	Number	Amount	Number	Amount
Power Corporation of Canada, Limited	19*	\$133,900	10	\$921,400
from subsidiaries:				
Laurentide Financial Corporation Ltd.	5	23,600		
Union Acceptance Corporation Limited	5	17,700		
Elite Insurance Company	5	2,000		
The Imperial Life Assurance Company of Canada	1	3,000	1	10,000
The Investors Group	3	14,100	2	150,000
Investors Group Trust Co. Ltd.	1	600		
The Great-West Life Assurance Company	2	11,200	1	25,500
Montreal Trust Company	4	20,200	1	100,000
S.M.A. (Société de Mathématiques Appliquées) Inc.	1	1,200		

* Includes 6 Officers

Notes to Consolidated Financial Statements

Note 12. Subsequent Events

- (a) As of January 1, 1977, income debentures of \$67,000,000 were redeemed and a like amount of secured income debentures was issued on similar terms, except for an amount of \$10,000,000 previously maturing on a sinking fund basis, which will now mature June 30, 1985.
- (b) In February 1977, Trans-Canada Corporation Fund, a wholly-owned subsidiary, granted an option for the sale of its holding of 102,490 shares of The Imperial Life Assurance Company of Canada at a price of \$100 per share. The option was granted for a consideration of \$3,000,000. Under the terms of the Option Agreement, Trans-Canada Corporation Fund bound itself to purchase from The Imperial Life Assurance Company of Canada 900,000 common shares of The Investors Group at \$7 per share if requested by Imperial Life at any time up to August 11, 1977. The sale of The Imperial Life Assurance Company of Canada shares was completed and the price paid on March 11, 1977. The purchaser is obliged to make an offer to all the other shareholders of The Imperial Life Assurance Company of Canada no later than June 10, 1977 to purchase their shares at \$100 per share and is bound to take up all shares tendered.

As a result of the sale of The Imperial Life Assurance Company of Canada shares and in accordance with the terms of the Trust Deed governing the 6½% secured sinking fund debentures of Trans-Canada Corporation Fund, \$4,479,000 principal amount of these debentures will be redeemed on June 1, 1977 at par value plus a premium of ½ of 1% and accrued interest.

Auditors' Report

The Shareholders,
Power Corporation of Canada, Limited.

We have examined the consolidated balance sheet of Power Corporation of Canada, Limited as at December 31, 1976 and the consolidated statements of earnings, retained earnings, and of changes in financial position for the year then ended. For Power Corporation of Canada, Limited and those companies of which we are the auditors and which are consolidated or are accounted for by the equity method in these financial statements, our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances. For the companies accounted for by the equity method, of which we are not the auditors, we have carried out such inquiries and examinations as we considered necessary in order to accept the reports of the other auditors.

In our opinion these financial statements present fairly the financial position of the Company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, Quebec, March 16, 1977

TOUCHE ROSS & CO.
Chartered Accountants

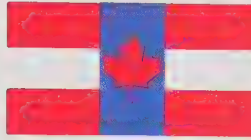
Canada Steamship Lines (1975) Limited



Canada Steamship Lines (1975) Limited manages Power Corporation's interests in the transportation field. Gross revenue from operations for 1976 amounted to \$244,668,000, an increase of 5% compared to the 1975 readjusted level of \$232,428,000. The 1975 figure excludes gross revenue of \$60,676,000 attributable to Davie Shipbuilding Limited, a subsidiary which was sold in early 1976.

While the gross revenue did show an increase, earnings from operations before interest, depreciation and income taxes were \$31,367,000, compared with \$39,119,000 in 1975. The decrease in the earnings from operations reflects mainly lower operating earnings from John N. Brocklesby Transport, Limited and the disposal of Davie Shipbuilding Limited. In addition, difficult operating conditions in the Water Transportation Division and increased general operating costs in all divisions contributed to the decrease.

Water Transportation



The Company is the largest inland water carrier in Canada. Traditionally, the principal cargoes carried have been iron ore, coal, grain and stone. The Company's fleet of 32 ships comprises eleven self-unloaders, twelve bulk freighters, two specialized self-unloading cement carriers and five package freighters. Two other package freight carriers have been modified for ocean trade and are chartered on voyage or time charters under the Company's Ocean Services Division. The Company, through Steamships Forwarding Company Limited, with headquarters in Montreal, operates a freight forwarding business.

Gross revenue from water transportation increased from \$69.4 million in 1975 to \$81.1 million in 1976 or by 17%.

In 1976, the Company acquired an ocean vessel and converted it for operating in the Great Lakes and St. Lawrence River. In 1977, another ocean vessel (which is not seaway passable) has been acquired to service a newly obtained contract. Two new vessels presently under construction (one in the Company's own shipyard in Collingwood and the second at Davie Shipbuilding) are scheduled for delivery towards the end of the 1977 operating season. These vessels are fitted with specialized unloading equipment to handle certain types of coal which have caused

unloading problems on traditional bulk vessels. An existing bulk carrier is being strengthened to handle a new coal movement from Nova Scotia—a trade outside of the traditional lake routes.

Operations in 1976 were adversely affected by congestion in grain loading and unloading ports throughout the season and by unusually severe weather conditions in late November and December which culminated in a premature close to the season.

The recent announcement by the Ministry of Transport that 1978 seaway tolls may be substantially increased will, if implemented, have a significant impact on water transport costs and may have a negative effect on the future volume of Seaway traffic.



Canada Steamship Lines (1975) Limited



Shipbuilding

Canadian Shipbuilding & Engineering Limited conducts shipbuilding and ship repairing operations for the Company as well as for other domestic and foreign shipowners at Collingwood and Thunder Bay, Ontario. Both yards also have a large involvement in the construction of light and heavy engineered products.

Gross revenue in 1976 amounted to \$28.7 million compared to \$28.5 million in 1975. Two vessels were delivered in 1976, both for outside customers. Two more vessels will be delivered in 1977, one of which is a 730' self-unloader for the Company. It is hoped that the recent announcement by the Federal Government increasing the shipbuilding subsidy for new applications made between March 1 and August 31, 1977 from 12% to 20% of cost will assist all Canadian shipyards in obtaining new orders.



Land Transportation

The Land Transportation Division of the Company is made up of three groups of companies: Kingsway Transports Limited—truck operations; Provincial Transport Enterprises Ltd. (comprised of Voyageur Inc. and Voyageur Colonial Limited)—bus operations; and John N. Brocklesby Transport, Limited—heavy haulage and crane operations.



Truck Operations

Kingsway Transports Limited is a major Canadian common carrier operating over 2,000 units of rolling stock and 42 terminals, three of which are located in the United States. It provides the following services: intercity movement of general commodities; warehousing; fleet maintenance; distribution of truck parts and accessories; and contract transportation.

Gross revenue increased 6% from \$55.1 million in 1975 to \$58.6 million in 1976. Overall tonnage volume was higher by 4.9% despite a disappointing lack of real growth in the Canadian economy during most of 1976.

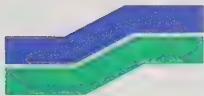
In 1976, a new terminal was purchased in Detroit which will provide an important link in movements between Canada and the United States. In addition, land was purchased and construction commenced on new terminal facilities in Winnipeg and Edmonton. A new terminal was opened in Sault Ste-Marie.

Kourier, a new division of the company, was formed in 1976 to operate in the express small parcel delivery service. This company is now operating throughout Ontario, and between Quebec and Ontario.



Canada Steamship Lines (1975) Limited

Voyageur



Bus Operations

Voyageur Inc. and Voyageur Colonial Limited together comprise the largest interurban bus system in Eastern Canada. These companies offer regular intercity passenger transportation and parcel express service in Ontario and Quebec as well as charter and tour services in these provinces and to various points in Canada and the United States. These companies operate over 385 modern, air-conditioned coaches.

The Voyageur bus system recorded a 10.7% growth in the number of passengers carried and an increase in gross revenue of \$4.5 million to \$56.6 million. This increase was obtained despite increased rail competition which is heavily subsidized by the government and can therefore offer artificially low rates to the public. It is hoped that the formation of VIA Rail, the crown corporation incorporated to take over passenger rail operations, will not increase this subsidized competition and distort the economics of passenger movements.

During 1976, high preparatory costs were incurred in the early summer months in anticipation of the Olympics and, although gross revenue during the Olympic months was higher, the increased volume was not enough to compensate for the costs incurred. However, management's objective in providing the highest level of service to the public was achieved.

In addition to the annual fleet replacement in 1976, a new garage was built in Ottawa at a cost of \$2.5 million to provide better service facilities.

A new company, Voyageur Tours Inc., was formed in the latter part of 1976, to arrange package tours by bus in various parts of Canada and the United States.



Heavy Haulage and Crane Operations

BROCKLESBY

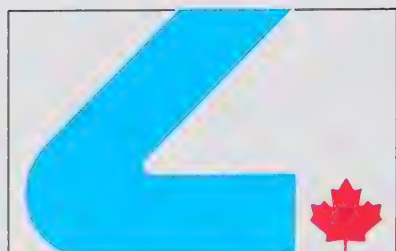
John N. Brocklesby Transport, Limited operates mobile cranes and provides heavy machinery moving and specialized trucking services. The company operates over 300 pieces of specialized equipment including tractors, trucks, trailers, floats, tanker trucks, steering doli-ies and cranes.

With the completion of the construction work at the Olympic Site, revenue from heavy haulage and crane operations experienced a sharp decline from \$19.9 million in 1975 to \$10.1 million in 1976. General labour unrest in the Quebec construction industry during the latter part of 1976 also contributed to the lower activity level experienced by this division.

Capital expenditures incurred in 1976 were primarily of a replacement nature.

Other

Other transportation related and miscellaneous operations, with gross revenue of \$9.6 million in 1976, include Port Colborne Quarries Limited—a quarry operation in Port Colborne, Ontario; Quebec Tugs Limited—tug operations in Quebec City, Quebec; and grain elevators at Kingston and Midland, Ontario.



Condensed Report of the Directors to Shareholders

Consolidated net earnings for 1976 were \$6.1 million, an increase of \$535,000 over 1975. After dividends on preferred shares, net earnings available to common shareholders were \$4.9 million or \$1.19 per common share compared with \$4.3 million or \$1.04 per share in the prior year.

Consolidated finance receivables, net of unearned finance charges, increased by 8.5% to \$421 million compared with \$388 million in the previous year. The growth in receivables generated a 13% increase in gross finance income to \$70 million compared with the 1975 figure of \$62 million.

Total average commercial paper outstanding in 1976 was \$134 million compared with \$111 million in 1975. At December 31, 1976, commercial paper borrowings were \$160 million, up \$63 million from 1975. Support for this increase remained strong, with unused bank lines of credit in excess of 126% of commercial paper outstanding.

In April 1976, the Company placed privately U.S. \$17 million Collateral Trust Notes Series "M", due

in 1991, with three institutional investors in the United States. In May, an issue of \$12.5 million debentures, due in 1991, retractable at the option of the holder in 1984, was sold publicly through its Canadian underwriters.

Consumer Division

Better than anticipated performance was recorded by the Consumer Division in 1976, in spite of continued weakness in the economy and high unemployment levels. Gross receivables increased by \$24 million, or 10%, to \$271 million compared with \$247 million at year-end 1975. Gross income was \$40 million, an increase of \$3 million, or 8%, over the previous year.

In keeping with the Company's objectives of diversification into new service lines, in 1976 the Canadian franchise of a cheque verification service operated under the name of Telecheck was acquired. The service was available to merchants in Toronto by year-end and offices are expected to be established in Montreal and Vancouver in 1977.

Industrial Division

The strength of this Division again was evident in 1976, when it recorded a 16% gain in receivables to \$154 million in spite of a slowdown in sales of heavy construction equipment. Gross income was \$19 million, a 16% increase over the \$16 million of the previous year.

Real Estate and Mortgage Division

Gross income of this Division increased from \$6 million to \$8 million in 1976, with a corresponding gain in net income before taxes. Year-end receivables of \$49 million represented a decrease of \$3 million from the previous year, due largely to the transfer of residential mortgages to the Consumer Division.

Elite Insurance Company

Elite reported net operating earnings of \$634,000 in 1976, against a net loss of \$848,000 in the previous year. These figures are not comparable as a result of a quota share re-insurance agreement on certain of its lines of business entered into early in the second quarter.

This subsidiary is well on the way to achieving its objective of diversifying its portfolios to provide a full range of property and casualty insurance, with emphasis in the commercial area.

NORCO Financial Services Ltd.

Net finance receivables, which are not consolidated in Laurentide's financial statements amounted to \$45.3 million, 4.6% over the 1975 figure of \$43.3 million.

Net earnings after tax were \$482,300 compared with \$616,500 in the previous year, reflecting both the higher cost of borrowings and a higher level of taxation resulting from the elimination of losses carried forward from prior years.

Outlook

Many factors have led to an uncertain outlook for Canada as a whole. The problems of federalism, inflation, controls, productivity and unemployment require a cautious approach. Laurentide has the staff, resources, and capabilities to continue to produce satisfactory results. For 1977, then, the Company expects moderate growth in receivables and earnings.

Condensed Financial Statements

Condensed Income Statement

	1976	1975	1974
Gross income	\$ 80,116,000	\$ 72,067,000	\$ 69,317,000
Equity in earnings of unconsolidated subsidiary	246,000	315,000	38,000
	<u>80,362,000</u>	<u>72,382,000</u>	<u>69,355,000</u>
Cost of borrowings	30,846,000	26,032,000	26,756,000
Provision for credit losses	4,789,000	3,864,000	3,621,000
Insurance claims and related expenses, and write-down of investments	8,259,000	8,279,000	9,627,000
Operating expenses	23,844,000	23,002,000	21,181,000
Income taxes	6,301,000	5,369,000	4,154,000
Minority interest	272,000	320,000	262,000
	<u>74,311,000</u>	<u>66,866,000</u>	<u>65,601,000</u>
Net earnings	\$ 6,051,000	\$ 5,516,000	\$ 3,754,000
Earnings per common share	\$ 1.19	\$ 1.04	\$ 0.60
Dividends per common share	\$ 0.50	\$ 0.50	\$ 0.50
Power Corporation's share of earnings	\$ 2,847,000	\$ 2,488,000	\$ 1,317,000
Book value of Power's investment in Laurentide—year-end	\$ 33,221,000	\$ 31,204,000	\$ 29,673,000

Condensed Balance Sheet

Finance receivables—consumer	\$272,536,000	\$250,866,000	\$239,732,000
—industrial and leases	155,711,000	141,288,000	132,056,000
—real estate and other	71,503,000	70,436,000	53,089,000
Less: unearned finance income and allowance for credit losses	<u>87,006,000</u>	<u>80,723,000</u>	<u>75,701,000</u>
Finance receivables—net	412,744,000	381,867,000	349,176,000
Other assets	54,594,000	47,121,000	48,931,000
Total Assets	<u>\$467,338,000</u>	<u>\$428,988,000</u>	<u>\$398,107,000</u>
Short-term debt	\$171,341,000	\$157,247,000	\$148,641,000
Long-term debt	186,003,000	170,069,000	155,033,000
Other liabilities	39,887,000	33,314,000	27,320,000
Minority interest and preferred equity	22,494,000	24,216,000	25,610,000
Common shareholders' equity	47,613,000	44,142,000	41,503,000
Total Liabilities	<u>\$467,338,000</u>	<u>\$428,988,000</u>	<u>\$398,107,000</u>



Condensed Report of the Directors to Shareholders

Operating Results

Consolidated earnings from operations for 1976 amounted to \$17,451,000 compared with \$17,615,000 for the previous year. After deduction for dividends on the outstanding preferred shares, the consolidated earnings per share for all classes of common stocks were \$1.22 compared with \$1.24 in 1975.

Overall, the combined increase in after-tax earnings from the investment certificate operation and the Company's share of Montreal Trust Company's earnings were more than offset by the decline in the earnings from the management and the distribution sector and the Company's share of earnings from The Great-West Life Assurance Company.

Consolidated income from investment certificates and service fees of \$5,582,000 shows a modest increase over 1975. The combined income of the management and distribution operations and the trust operations of \$1,762,000 was somewhat lower with income from the management and distribution of mutual funds declining to \$1,511,000. Income from the trust operation was satisfactorily ahead of 1975 at \$251,000.

Anti-Inflation Program

The Company, along with most of the private sector, has supported the Federal Anti-Inflation Program out of its conviction that the continuing high inflation experienced during the period 1972-1975 would seriously damage the welfare of all Canadians. Moreover, a high rate of inflation would undermine the important role that savings play in the economic growth of Canada and would frustrate efforts to make provision for individual financial security. Unfortunately, the administration of the program has been confusing and uneven. The program's control of corporate profits rather than prices has been a deterrent to business capital investment. The opposition of organized labour has contributed to the uncertainty as to the long-term effectiveness of the program.

Although it appears that the controls have assisted in the reduction of the rate of inflation, it is clear that the policies employed for this purpose have been disruptive. It is reported that the authorities are considering a phased approach to decontrol and the post-control period. It is desirable that changes be made to the Anti-Inflation Program to increase incentives for expansion in business investment, to improve productivity and to provide employment opportunities. While the Anti-Inflation Program may have provided a break in the cycle of inflationary expectations, it is important that the major sectors of the economy, business, labour and government, co-operate in the post-control period in a responsible effort to avoid a renewal of the inflationary conditions which led to the imposition of controls.

Dividends

During the year, quarterly dividends of 12½ cents per share were paid on the common convertible and Class A convertible shares and quarterly "tax-paid" dividends of 10.625 cents per share were paid on the Class B and Class C convertible shares.

Condensed Financial Statements

Condensed Income Statement

	1976	1975	1974
Income from certificate operations	\$ 8,882,000	\$ 8,892,000	\$ 9,492,000
Income from management and distribution operations	3,091,000	3,877,000	4,228,000
Income from trust operations	424,000	344,000	212,000
Share of earnings of subsidiary companies	10,434,000	10,663,000	9,174,000
	<u>22,831,000</u>	<u>23,776,000</u>	<u>23,106,000</u>
Interest on bank loan	667,000	835,000	1,052,000
Income taxes	4,713,000	5,326,000	6,003,000
	<u>5,380,000</u>	<u>6,161,000</u>	<u>7,055,000</u>
Net operating income	<u>\$ 17,451,000</u>	<u>\$ 17,615,000</u>	<u>\$ 16,051,000</u>
Earnings per common share	<u>\$ 1.22</u>	<u>\$ 1.24</u>	<u>\$ 1.14</u>
Dividends per common share	<u>\$ 0.50</u>	<u>\$ 0.50</u>	<u>\$ 0.50</u>
Power Corporation's share of earnings	<u>\$ 5,374,000</u>	<u>\$ 5,446,000</u>	<u>\$ 4,884,000</u>
Book value of Power's investment in Investors—year-end	<u>\$ 64,150,000</u>	<u>\$ 61,421,000</u>	<u>\$ 59,135,000</u>

Condensed Balance Sheet

Cash and marketable securities	\$158,044,000	\$152,373,000	\$114,466,000
Mortgages and loans	400,802,000	352,945,000	352,963,000
Investment in subsidiary companies	119,883,000	115,640,000	111,601,000
Other assets	16,285,000	15,080,000	12,883,000
Total Assets	<u>\$695,014,000</u>	<u>\$636,038,000</u>	<u>\$591,913,000</u>
Certificate liabilities	\$496,970,000	\$446,739,000	\$414,384,000
Other liabilities	39,984,000	38,390,000	33,511,000
Preferred equity	32,444,000	32,449,000	32,449,000
Common shareholders' equity	125,616,000	118,460,000	111,569,000
Total Liabilities	<u>\$695,014,000</u>	<u>\$636,038,000</u>	<u>\$591,913,000</u>

The Great-West Life Assurance Company



Condensed Report of the Directors to Shareholders

Overall results attained in 1976, as reflected in net income before policyholder dividends, compared favorably with those of 1975.

Sales

Sales of life insurance and annuities in 1976, measured by the face amount of life insurance protection and the maturity value of new annuity plans, increased by 40% over 1975 to \$5,977,843,000, a Company record. Health insurance sales, in terms of gross annual premiums, totalled \$66,474,000, also a new high for the Company.

Individual life policies accounted for \$1,156,050,000 of new sales, an increase of 24% over 1975.

Individual deferred annuity sales, as measured by the maturity value of these products, moved ahead dramatically in 1976, totalling \$167,680,000, an increase of 36%. Single premiums received for immediate annuities amounted to \$20,601,000, down from the record of \$22,655,000 in 1975.

New group life insurance sales were \$3,777,607,000, up 38% over 1975. Group annuity sales climbed

by 81%, to \$876,506,000. Group health insurance products performed well in the market with sales, measured in new annualized premium income, climbing by 32% over 1975 to \$64,612,000.

Business in Force

Life insurance and annuity business in force, measured on the same basis as sales, increased by \$7,796,016,000 to \$35,045,473,000, up 29% over 1975. Health insurance in force, in terms of gross annual premiums, increased by \$56,451,000 over the previous year and amounted to \$237,749,000 at December 31.

Income

The Company's premium income for 1976 was \$613,120,000, up \$124,427,000 over 1975, an increase of 25%.

Net investment income increased to \$185,730,000, up 15% over 1975. The net rate of return on the Company's total assets was 7.76%, compared with 7.53% reported in 1975. Realized and unrealized capital gains on segregated investment funds were \$11,390,000 in 1976, compared with \$5,812,000, in the previous year. Such capital gains and losses are credited or charged to these funds and do not affect net income of the Company.

Disposition of Income

Benefits and dividends paid to policyholders and their beneficiaries increased 29% to \$451,457,000 and the increase in policy reserves to provide for future benefits was \$234,118,000.

Commissions paid amounted to \$26,973,000, and operating expenses totalled \$58,068,000, an increase of 13% over the previous year. However, the Company's ratio of expenses to income declined.

Net Income

The Company's net income before policyholder dividends was \$53,105,000, compared with \$48,968,000 the previous year.

Net income attributable to policyholders increased to \$37,731,000, of which \$30,142,000 was appropriated for policyholder dividends, \$773,000 transferred to the shareholders' account and \$6,816,000 carried forward to the participating policyholders' surplus account.

Net income attributable to shareholders amounted to \$16,147,000, representing \$8.07 per share compared with \$8.66 in 1975. Improved mortality experience and interest income were more than offset by the unfavorable group health claims experience in 1976 and the impact on earnings resulting from the increased sales of new non-participating business.

Assets and Liabilities

Assets increased \$295,020,000 to \$2,643,839,000. The Company's long-term practice of providing for fluctuations in asset values was continued by an asset write-down in 1976 of \$10,556,000.

Liabilities, consisting primarily of funds set aside to meet future obligations to policyholders, amounted to \$2,471,821,000. Capital, contingency reserve and surplus increased \$6,152,000 to \$172,018,000, which at 6.96% of liabilities continues to provide a reasonable margin for the protection of policyholders.

Condensed Financial Statements

Condensed Income Statement

	1976	1975	1974
Premium income	\$ 613,120,000	\$ 488,693,000	\$ 424,780,000
Investment income—net	185,730,000	161,294,000	140,072,000
Other income	11,390,000	5,812,000	(21,804,000)
	<u>810,240,000</u>	<u>655,799,000</u>	<u>543,048,000</u>
Benefits paid and accrued	421,315,000	323,180,000	281,931,000
Additions to reserves	234,118,000	195,723,000	142,675,000
Operating expenses	85,041,000	73,727,000	63,135,000
Policyholder dividends	30,142,000	26,184,000	23,743,000
Income and premium taxes	16,661,000	14,200,000	13,329,000
Net income—participating policyholders	6,816,000	5,465,000	2,163,000
	<u>794,093,000</u>	<u>638,479,000</u>	<u>526,976,000</u>
Net income available to shareholders	\$ 16,147,000	\$ 17,320,000	\$ 16,072,000
Earnings per share	\$ 8.07	\$ 8.66	\$ 8.03
Dividends per share	\$ 3.06	\$ 3.00	\$ 2.50
Investors' share of earnings	\$ 7,927,000	\$ 8,514,000	\$ 7,930,000
Book value of Investors' investment in Great-West—year-end	\$ 88,930,000	\$ 86,178,000	\$ 83,472,000

Condensed Balance Sheet

Bonds, mortgages and loans to policyholders	\$1,869,108,000	\$1,724,925,000	\$1,574,906,000
Stocks	223,878,000	192,266,000	155,147,000
Real estate	220,949,000	174,260,000	152,659,000
Segregated investment funds	243,798,000	186,607,000	136,314,000
Other assets	86,106,000	70,761,000	87,402,000
Total Assets	<u>\$2,643,839,000</u>	<u>\$2,348,819,000</u>	<u>\$2,106,428,000</u>
Policy reserves and policyholders' funds	\$2,049,949,000	\$1,848,184,000	\$1,689,505,000
Segregated investment funds	243,798,000	186,607,000	136,314,000
Provision for policyholder dividends	29,894,000	26,172,000	23,700,000
Other liabilities	148,180,000	121,990,000	97,695,000
Capital stock, reserve and surplus	172,018,000	165,866,000	159,214,000
Total Liabilities	<u>\$2,643,839,000</u>	<u>\$2,348,819,000</u>	<u>\$2,106,428,000</u>



Condensed Report of the Directors to Shareholders

Continued progress in the Company's affairs was demonstrated during the year. Net operating income was \$4,967,000 or \$1.93 per share. The comparative figure for 1975 was \$1.65 per share.

Revenue and Expense

Revenue for the year rose by \$6,680,000. Fees and commissions from trust and agency services increased \$2,325,000 and real estate commissions \$2,681,000. Guaranteed account net income increased by a modest \$371,000. Interest rates were comparatively steady during the year, but at a higher level than in 1975. Net income from new business in this account was sufficient to offset the increased cost of funds used to finance older long-term investments. Interest, dividends and other income increased by \$1,303,000, attributable to a greater dollar volume of investment and higher interest rates.

Expense increased by \$6,046,000 with salaries accounting for \$2,313,000 of this additional cost. Real estate commissions paid were up \$1,685,000 in line with the increased commissions earned. Other expense increased by \$2,048,000.

Balance Sheet

Total assets grew by \$91,553,000 to \$859,270,000. This compares favourably with 1975 growth of \$71,431,000.

Assets held for Guaranteed Account rose \$86,832,000. The Company's main area of growth continues to be investment in mortgages. Mortgages net of repayments increased by \$103,833,000 to \$590,995,000. At December 31, 1976, five-year term mortgages amounted to \$428,201,000 (1975—\$352,321,000) and were funded by five-year investment certificates to the extent of \$382,627,000 (1975—\$327,510,000). One and two year mortgages totalled \$42,754,000 at year-end. These mortgages are funded by deposits and short-term certificates.

At year-end shareholders' equity was \$17.44 per share compared with \$16.29 the year before.

Dividends

In the latter part of the year the Directors again reviewed the Company's dividend policy in the light of improved earnings and in consequence declared an extra dividend of 20 cents payable December 31. Total dividends paid for the year were 80 cents per share.

Outlook

The general economic outlook indicates a slow period of world growth which threatens to undermine prospects for an export-led lift

to the Canadian economy. With several key sectors of Canada's domestic economy in a weakened condition, the overall prospect is for little more than nominal real growth in the first half of the year. Some promise of an improvement in this situation is offered in the recent steady decline of short and long-term interest rates and the belief that the direction of fiscal policy will be towards stimulation in the early part of the year. Also encouraging are recent comments from Government departments which recognize the role of corporate profits in the investment and job creation process.

The employment outlook requires an immediate redress of the business investment disincentive, for otherwise Canada faces a lengthy period of poor economic performance and serious social disruption. Assuming new initiatives will shore up the economy and business activity as the year advances, it is believed that consumer and business confidence will be on the rise by midyear.

The Company's business plan for 1977 assumes an increasingly competitive environment in many of the service areas. The origins of competition are from within the industry and an expanding list of new entrants into the financial services field as well. The Company remains confident of its ability to meet these challenges.

Condensed Financial Statements

Condensed Income Statement

	1976	1975	1974
Net income from guaranteed trust accounts	\$ 6,194,000	\$ 5,823,000	\$ 1,654,000
Fees and commissions	26,128,000	23,803,000	22,413,000
Real estate commissions	13,864,000	11,183,000	9,924,000
Interest, dividends and other income	6,786,000	5,483,000	5,323,000
	<u>52,972,000</u>	<u>46,292,000</u>	<u>39,314,000</u>
Operating expenses	44,898,000	38,852,000	35,084,000
Income taxes	3,107,000	3,183,000	1,766,000
	<u>48,005,000</u>	<u>42,035,000</u>	<u>36,850,000</u>
Net operating income	\$ 4,967,000	\$ 4,257,000	\$ 2,464,000
Earnings per share	\$ 1.93	\$ 1.65	\$ 0.96
Dividends declared per share	\$ 0.80	\$ 0.70	\$ 0.80
Investors' share of earnings	\$ 2,507,000	\$ 2,149,000	\$ 1,244,000
Book value of Investors' investment in Montreal Trust— year-end	\$ 30,953,000	\$ 29,462,000	\$ 28,129,000

Condensed Balance Sheet

Assets held for guaranteed trust accounts			
Mortgages	\$590,995,000	\$487,162,000	\$438,286,000
Securities, cash and other assets	206,966,000	223,967,000	207,165,000
	<u>797,961,000</u>	<u>711,129,000</u>	<u>645,451,000</u>
Company assets			
Securities, cash and other assets	47,192,000	42,526,000	37,341,000
Office premises and equipment	14,117,000	14,062,000	13,494,000
Total Assets	<u>\$859,270,000</u>	<u>\$767,717,000</u>	<u>\$696,286,000</u>
Guaranteed trust accounts			
Deposits	\$212,800,000	\$201,509,000	\$158,639,000
Investment certificates	585,161,000	509,620,000	486,812,000
	<u>797,961,000</u>	<u>711,129,000</u>	<u>645,451,000</u>
Company liabilities			
Other liabilities	16,373,000	14,606,000	11,494,000
Shareholders' equity	44,936,000	41,982,000	39,341,000
Total Liabilities	<u>\$859,270,000</u>	<u>\$767,717,000</u>	<u>\$696,286,000</u>



Condensed Report of the Directors to Shareholders

Operating Results

On balance, 1976 was a year of considerable disappointment for Consolidated-Bathurst and continuing uncertainty in the North American economy. At the outset, it bore the continued cost impact of the long industry-wide strike as it affected the Company; later, post-strike optimism was dissipated by slower than anticipated economic recovery in North America, the dominant market area for the Company's major pulp and paper and packaging lines, and by the relative strength of the Canadian dollar throughout most of the year.

Net sales amounted to \$745.2 million, an increase of \$101.5 million or 16% over the 1975 level. In spite of this improvement, net earnings of \$18.2 million were lower than those of 1975 by \$14.4 million. On a per common share basis, earnings were equivalent to \$2.28 in 1976 compared with \$4.26 in 1975.

The higher sales revenues were attributable principally to increased shipments. The 1976 pulp and paper volumes reflected the fact that the greater portion of mill production lost to strikes was in the 1975 period. Selling prices were marginally ahead of 1975 except for those of pulp, corrugating medium, and kraft paper. Prices of these declined from their 1975 levels. Increases in wages, depreciation, interest, and selling and administrative expenses outpaced the margins realized from improved volumes.

Capital Expenditures

In 1976, the Company spent \$56.7 million on its capital program compared with \$49.7 million in the preceding year. A significant portion of the 1976 outlay covered projects already in progress at the beginning of the year. Completion schedules of two major projects, the speed-up of a third newsprint machine at the Port Alfred mill, Ville de La Baie, Quebec, and the increase in pulp production at Bathurst, New Brunswick, have been extended to coincide with anticipated market improvements.

The finishing, storage and shipping sections of the Braeside, Ontario, pine sawmill were destroyed by fire on October 12, 1976. The mill has been operating on an improvised basis since that time. Construction of redesigned and improved facilities has begun and the mill is expected to be in full operation by the fourth quarter of 1977.

Other

At a meeting held on March 18, 1977, the holders of the series A, B, C, and D Debentures were asked to approve amendments providing the Company with increased long-term borrowing capacity.

Outlook

In the near term, the Company's results are expected to parallel the discouraging economic conditions prevailing in its principal market areas. However, the anticipated U.S. economic recovery, the recent easing of Canadian prime bank rates, and a more realistic value for the Canadian dollar should lead to a more favourable economic climate for the Company and the industry. Optimum performance of the Canadian economy, however, also requires an orderly phase-out of Anti-Inflation controls, improved economic administration by governments, and clarification of Quebec's place in the Canadian scene.

Condensed Financial Statements

Condensed Income Statement

	1976	1975	1974
Net sales	\$745,193,000	\$643,719,000	\$689,009,000
Other income	5,170,000	7,522,000	4,410,000
	<u>750,363,000</u>	<u>651,241,000</u>	<u>693,419,000</u>
Cost of goods sold, including depreciation	649,909,000	535,200,000	551,780,000
Selling and administrative expenses	49,058,000	43,850,000	40,294,000
Interest	23,611,000	18,812,000	18,445,000
Income taxes	9,227,000	20,338,000	34,463,000
Minority interest	318,000	442,000	725,000
	<u>732,123,000</u>	<u>618,642,000</u>	<u>645,707,000</u>
Net income before extraordinary items	<u>\$ 18,240,000</u>	<u>\$ 32,599,000</u>	<u>\$ 47,712,000</u>
Earnings per common share	<u>\$ 2.28</u>	<u>\$ 4.26</u>	<u>\$ 7.10</u>
Dividends per common share	<u>\$ 2.00</u>	<u>\$ 2.00</u>	<u>\$ 2.25</u>
Power Corporation's share of earnings	<u>\$ 6,300,000</u>	<u>\$ 11,742,000</u>	<u>\$ 19,470,000</u>
Book value of Power's investment in Consolidated-Bathurst— year-end	<u>\$127,962,000</u>	<u>\$126,890,000</u>	<u>\$120,728,000</u>

Condensed Balance Sheet

Current assets	\$343,014,000	\$292,030,000	\$287,289,000
Property and plant	367,286,000	338,610,000	316,936,000
Investments and other assets	32,367,000	31,729,000	32,407,000
Total Assets	<u>\$742,667,000</u>	<u>\$662,369,000</u>	<u>\$636,632,000</u>
Current liabilities	\$185,154,000	\$132,946,000	\$154,244,000
Long-term debt	178,837,000	157,176,000	129,896,000
Other liabilities and provisions	111,518,000	106,874,000	100,343,000
Minority interest and preferred equity	32,971,000	34,358,000	37,580,000
Common shareholders' equity	234,187,000	231,015,000	214,569,000
Total Liabilities	<u>\$742,667,000</u>	<u>\$662,369,000</u>	<u>\$636,632,000</u>

Gesca Ltée

Power Corporation's investment in the field of newspapers is represented by an income debenture of Gesca Ltée, which owns the companies publishing La Presse, Montréal-Matin, Le Nouvelliste, La Tribune and La Voix de l'Est. This debenture effectively provides that all the earnings and any realized changes in the incremental value of the equity of Gesca Ltée accrue to the debenture holder.

The consolidated earnings of Gesca were \$1.3 million for 1976 compared with \$2.3 million in respect of 1975. Each of the newspapers showed improved revenues, but continued increased costs, and losses incurred by Montréal-Matin Inc. resulted in a reduction in the consolidated earnings. Arrangements have been completed to print the Montréal-Matin newspaper on the facilities of La Presse and it is expected that this will improve the operating results of Montréal-Matin Inc.

The operations of La Tribune Inc. at Sherbrooke, Québec were transferred during the course of the year to a totally new building, equipped with new, modern printing equipment. It is expected that this will result in improved operating conditions for that company, which is part of Les Journaux Trans-Canada Ltée, a subsidiary of Gesca Ltée.

S.M.A. (Société de Mathématiques Appliquées) Inc.

Power's interest in S.M.A. (Société de Mathématiques Appliquées) Inc., a computer service bureau and software organization, is represented by a 57% share interest, convertible debentures and advances.

Revenues for the year were \$7.9 million compared with \$6.8 million in 1975. The resulting loss from operations for the year was \$1.7 million compared with \$1.4 million in 1975.

Other Investments

Power Corporation and its consolidated subsidiaries have other investments not referred to in detail in this report, having a book value of \$101,048,000. These investments include an interest in Argus Corporation Limited, at a cost of \$80,312,000, representing 53% of the equity of the company. In addition, Power has mortgage bonds, debentures and other miscellaneous investments amounting to \$20,736,000.

Power Corporation of Canada, Limited

Board of Directors

**WILBROD BHERER, C.M., Q.C.	<i>Advocate</i>
**ALFREDO F. CAMPO	<i>Chairman, Petrofina Canada Ltd.</i>
*PETER D. CURRY	<i>President of the Company</i>
*LOUIS R. DESMARAIS, C.A.	<i>Chairman, Canada Steamship Lines (1975) Limited</i>
*PAUL DESMARAIS	<i>Chairman and Chief Executive Officer of the Company</i>
WILLIAM M. FULLER	<i>Partner, Wm. & A. P. Fuller</i>
PIERRE GENEST, Q.C.	<i>Partner, Cassels, Brock</i>
JEAN-PAUL GIGNAC	<i>President, Sidbec-Dosco Limited</i>
ROBERT H. JONES	<i>President and Chief Executive Officer, The Investors Group</i>
*W. EARLE MCLAUGHLIN	<i>Chairman and President, The Royal Bank of Canada</i>
*A. D. NESBITT	<i>President and Chief Executive Officer, Nesbitt, Thomson and Company, Limited</i>
PAUL BRITTON PAINE, Q.C.	<i>Chairman and President, Montreal Trust Company</i>
CLAUDE PRATTE, Q.C.	<i>Advocate</i>
**THE HON. JOHN P. ROBARTS, P.C., C.C., Q.C.	<i>Partner, Stikeman, Elliott, Robarts & Bowman</i>
*ROBERT C. SCRIVENER	<i>Chairman and Chief Executive Officer, Northern Telecom Limited</i>
*P. N. THOMSON	<i>Deputy Chairman of the Company</i>
*W. I. M. TURNER, JR.	<i>President and Chief Executive Officer, Consolidated-Bathurst Limited</i>

Officers

PAUL DESMARAIS	<i>Chairman and Chief Executive Officer</i>
P. N. THOMSON	<i>Deputy Chairman</i>
LOUIS R. DESMARAIS, C.A.	<i>Deputy Chairman</i>
PETER D. CURRY	<i>President</i>
A. F. KNOWLES, C.A.	<i>Vice President, Finance and Treasurer</i>
PAUL E. MARTIN	<i>Vice President</i>
DANIEL JOHNSON	<i>Secretary</i>
ANDRÉ GERVAIS, C.G.A.	<i>Assistant Treasurer and Assistant Secretary</i>
PAUL MORIMANNO, C.A.	<i>Assistant Treasurer</i>

*Members of the Executive Committee

**Members of the Audit Committee

Power Corporation of Canada, Limited

Head Office	759 Victoria Square, Montreal, Quebec, H2Y 2K4
Transfer Agent and Registrar	Montreal Trust Company, Montreal, Toronto, Calgary, Vancouver
Stock Listings	
Common Shares	Montreal, Toronto and Vancouver Stock Exchanges
Participating Preferred Shares	Montreal Stock Exchange
Convertible Preferred Shares	Montreal and Toronto Stock Exchanges
First Preferred Shares	Montreal and Toronto Stock Exchanges

Si vous préférez recevoir le rapport de Power Corporation en français, veuillez vous adresser au Secrétaire, Power Corporation of Canada, Limited, 759 Square Victoria, Montréal, Québec, H2Y 2K4

Principal Subsidiary and Affiliated Companies

Canada Steamship Lines (1975) Limited
Montreal, Quebec

Provincial Transport Enterprises Ltd.
Montreal, Quebec

Kingsway Transports Limited
Dorval, Quebec

Canadian Shipbuilding & Engineering Limited
Collingwood, Ontario

John N. Brocklesby Transport, Limited
Montreal, Quebec

The Investors Group
Winnipeg, Manitoba

The Great-West Life Assurance Company
Winnipeg, Manitoba

Montreal Trust Company
Montreal, Quebec

Laurentide Financial Corporation Ltd.
Vancouver, British Columbia

Consolidated-Bathurst Limited
Montreal, Quebec

